

**Report of the
PUBLIC EMPLOYEE RETIREMENT
ADMINISTRATION COMMISSION
on the Examination of the
Concord
Contributory Retirement System
For the Three Year Period
January 1, 1999 - December 31, 2001
PERAC 01: 09-029-06**

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November 13, 2003

The Public Employee Retirement Administration Commission has completed an examination of the **Concord** Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, **1999** to December 31, **2001**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiner Richard Ackerson who conducted this examination and expresses appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E Connarton
Executive Director

Concord Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

1. Reimbursement to the Town

The previous audit (96-98) noted that the Town of Concord was being reimbursed for a portion of the salaries for the Town Treasurer and Town Accountant. Below are the finding, recommendation, and Board response from the previous audit report. This finding has not been resolved, and the recommendation is still appropriate.

Reimbursement to the Town

The Town of Concord bills the retirement board twice a year for portions of the salaries of town officers including the Town Treasurer and the Town Accountant. G.L. c.32 allows for Retirement Board Members to receive an annual stipend of not more than \$3,000 and for the Treasurer in his or her capacity as custodian of the funds to receive an additional stipend. In fiscal 1998 the retirement system reimbursed the town \$12,139 for the salary of the town accountant and \$19,799 for the salary of the town treasurer.

Any duties that are performed by the Town Treasurer or the Town Accountant as stated in C.32 as part of their defined duties are not duties that the Board may reimburse to the town. Any functions that are performed by the Town Accountant, Town Treasurer or other town employees that are normal functions required to operate the system but not those specific to the duties outlined in C. 32 as functions of the Town Treasurer and Town Accountant may be billed to the retirement system. Such invoices may be presented to the retirement system with specific functions listed and time expended on such functions. Approval of such invoices is subject to Board vote.

Board Response

The Retirement Board has responded that the Board has no employees, and that Town employees perform all functions associated with management of the System. This is the basis for the reimbursements. As noted, however, functions delineated in Chapter 32 as the responsibility of Town employees may not be the subject of reimbursement.

In the case of Everett Retirement Board v. Board of Assessors of Everett (1985) 473 N. E. 2d 1162, 19 Mass. App. 305, the Court found that a Retirement Board is independent from the municipality. In addition, Chapter 32, Section 22 (5) was amended by Chapter 306 of the Acts of 1996 to enable Boards to adopt budgets independent of the approval of the municipality. Expenses are funded in the same manner as other costs of the system. The Retirement Board must review its employment practices in light of these changes, and employ sufficient staff independent of the Town.

Concord Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

BOARD RESPONSE:

The Concord Retirement Board is working to develop the new working relationship that will address PERAC's concerns and we expect to have the new arrangement in place by the end of 2003 for implementation through the next calendar year budget.

2. Bonding

The previous two audits (1993-1995 and 1996-1998) found that the Board did not have sufficient bonding coverage for the Board members and staff performing retirement Board functions. Below are the finding, recommendation, and Board response from the 1996-1998 audit report. This finding has not been resolved, and the recommendation is still appropriate.

Fidelity Bonding

The previous audit of the Concord Retirement System covering the period from January 1, 1993 through December 31, 1995 noted that the Board did not have sufficient bonding coverage to protect the system from losses due to fraud and dishonesty. During the current audit it was again found that each Board member of the Concord Retirement System was covered by a Fidelity bond in the amount of \$5,000. It was also found that staff had no Fidelity bond coverage. Regulation 840 CMR 17.01 states that all board members and retirement system staff shall be bonded in an amount to provide reasonable protection against losses due to fraud and dishonesty and each shall be bonded for no less than 10% of the portfolio or \$500,000.

Board Response

The Retirement Board has responded by stating that it has no staff, and utilizes the services of the staff of the Town of Concord, therefore, no staff are subject to 840 CMR 17.01. The Board did state that the coverage for Board members would be reviewed.

The Retirement Board must insure that those employees of the Town that perform functions that are the responsibility of the retirement Board are adequately covered under the fidelity bond policy.

BOARD RESPONSE:

The Concord Retirement System has obtained Fidelity Bonding for its Board members and staff with The Travelers Indemnity Company in the amount of \$1,000,000.

Concord Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

3. Refunds

A review of refunds showed a 22% error rate. All errors were incorrect interest calculations and resulted in overpayments to members. The staff, at the time, was not completely familiar with all the rules relative to interest refunds.

Recommendation

All affected individuals must be notified that they have received an overpayment and of their right to request a waiver pursuant to G. L. c. 32, § 20(5)(c)(1), (2) and (3). Current staff must review all rules relative to refunds and, until a 100% accuracy rate is achieved, a second individual should check all refund calculations.

BOARD RESPONSE:

Current retirement staff has received training in the rules governing the calculation of interest refunds. Both manual and computerized calculations verify accuracy. All calculations are reviewed by two staff members.

Final Determination

PERAC auditors will follow-up in six (6) months to ensure appropriate actions have been taken.

Concord Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

FOR THE PERIOD ENDING DECEMBER 31,			
ASSETS	2001	2000	1999
Cash	\$1,885,184	\$2,371,734	\$1,712,248
Short Term Investments	0	0	0
Fixed Income Securities (at book value)	23,769,167	22,176,530	20,184,245
Equities	0	0	0
Pooled Short Term Funds	0	0	0
Pooled Domestic Equity Funds	13,613,036	14,259,045	14,980,212
Pooled International Equity Funds	5,374,673	6,602,197	7,472,199
Pooled Global Equity Funds	0	0	0
Pooled Domestic Fixed Income Funds	0	0	0
Pooled International Fixed Income Funds	0	0	0
Pooled Global Fixed Income Funds	0	0	0
Pooled Alternative Investment Funds	0	0	0
Pooled Real Estate Funds	0	0	0
Pooled Domestic Balanced Funds	2,235,699	2,452,790	2,507,040
Pooled International Balanced Funds	0	0	0
PRIT Cash Fund	0	0	500,154
PRIT Core Fund	9,461,022	8,986,329	8,630,284
Interest Due and Accrued	410,773	397,576	264,340
Accounts Receivable	568	2,151	0
Accounts Payable	(1,648)	(7,419)	0
TOTAL	<u>\$56,748,473</u>	<u>\$57,240,932</u>	<u>\$56,250,722</u>
FUND BALANCES			
Annuity Savings Fund	\$12,944,263	\$12,179,085	\$10,940,515
Annuity Reserve Fund	3,682,574	3,465,030	3,467,051
Pension Fund	5,281,131	5,282,133	5,191,032
Military Service Fund	1,659	1,628	1,594
Expense Fund	0	0	0
Pension Reserve Fund	34,838,847	36,313,056	36,650,530
TOTAL	<u>\$56,748,473</u>	<u>\$57,240,932</u>	<u>\$56,250,722</u>

Concord Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (1999)	\$10,200,094	\$3,388,465	\$4,849,059	\$1,560	\$0	\$30,498,062	\$48,937,241
Receipts	1,568,010	100,392	2,840,286	34	326,669	6,431,724	11,267,114
Interfund Transfers	(391,501)	391,501	279,256	0	0	(279,256)	0
Disbursements	(436,088)	(413,308)	(2,777,569)	0	(326,669)	0	(3,953,634)
Ending Balance (1999)	10,940,515	3,467,051	5,191,032	1,594	0	36,650,530	56,250,722
Receipts	1,825,074	101,719	2,885,539	33	403,889	(156,918)	5,059,335
Interfund Transfers	(331,676)	331,676	180,555	0	0	(180,555)	0
Disbursements	(254,828)	(435,416)	(2,974,992)	0	(403,889)	0	(4,069,125)
Ending Balance (2000)	12,179,085	3,465,030	5,282,133	1,628	0	36,313,056	57,240,932
Receipts	1,712,081	106,844	2,787,062	31	412,987	(1,124,667)	3,894,338
Interfund Transfers	(597,869)	587,047	360,364	0	0	(349,542)	0
Disbursements	(349,035)	(476,347)	(3,148,428)	0	(412,987)	0	(4,386,797)
Ending Balance (2001)	<u>\$12,944,263</u>	<u>\$3,682,574</u>	<u>\$5,281,131</u>	<u>\$1,659</u>	<u>\$0</u>	<u>\$34,838,847</u>	<u>\$56,748,473</u>

Concord Retirement System

STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2001	2000	1999
Annuity Savings Fund:			
Members Deductions	\$1,411,859	\$1,308,273	\$1,210,776
Transfers from other Systems	57,556	279,098	126,360
Member Make Up Payments and Redeposits	22,582	10,927	14,794
Investment Income Credited to Member Accounts	<u>220,084</u>	<u>226,776</u>	<u>216,080</u>
Sub Total	<u>1,712,081</u>	<u>1,825,074</u>	<u>1,568,010</u>
Annuity Reserve Fund:			
Investment Income Credited Annuity Reserve Fund	<u>106,844</u>	<u>101,719</u>	<u>100,392</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	53,851	49,119	46,279
Received from Commonwealth for COLA and Survivor Benefits	217,007	255,614	319,938
Pension Fund Appropriation	<u>2,516,203</u>	<u>2,580,805</u>	<u>2,474,069</u>
Sub Total	<u>2,787,062</u>	<u>2,885,539</u>	<u>2,840,286</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited Military Service Fund	<u>31</u>	<u>33</u>	<u>34</u>
Sub Total	<u>31</u>	<u>33</u>	<u>34</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to Expense Fund	<u>412,987</u>	<u>403,889</u>	<u>326,669</u>
Sub Total	<u>412,987</u>	<u>403,889</u>	<u>326,669</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	0	610	1,736
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	0	6,746	3,110
Excess Investment Income	<u>(1,124,667)</u>	<u>(164,274)</u>	<u>6,426,877</u>
Sub Total	<u>(1,124,667)</u>	<u>(156,918)</u>	<u>6,431,724</u>
TOTAL RECEIPTS	<u>\$3,894,338</u>	<u>\$5,059,335</u>	<u>\$11,267,114</u>

Concord Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

FOR THE PERIOD ENDING DECEMBER 31,			
	2001	2000	1999
Annuity Savings Fund:			
Refunds to Members	\$129,316	\$189,669	\$176,226
Transfers to other Systems	<u>219,720</u>	<u>65,159</u>	<u>259,861</u>
Sub Total	<u>349,035</u>	<u>254,828</u>	<u>436,088</u>
Annuity Reserve Fund:			
Annuities Paid	468,023	435,416	413,308
Option B Refunds	<u>8,324</u>	<u>0</u>	<u>0</u>
Sub Total	<u>476,347</u>	<u>435,416</u>	<u>413,308</u>
Pension Fund:			
Pensions Paid			
Regular Pension Payments	2,344,048	2,189,545	2,034,645
Survivorship Payments	72,361	129,594	123,825
Ordinary Disability Payments	58,329	57,173	54,546
Accidental Disability Payments	400,111	410,200	401,826
Accidental Death Payments	111,793	79,245	76,752
Section 101 Benefits	19,681	0	0
3 (8) (c) Reimbursements to Other Systems	142,105	109,237	85,976
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>3,148,428</u>	<u>2,974,992</u>	<u>2,777,569</u>
Military Service Fund:			
Return to Municipality for Members Who			
Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	0	0	0
Salaries	0	76,874	70,386
Legal Expenses	0	0	0
Medical Expenses	0	0	0
Travel Expenses	39	15	15
Administrative Expenses	113,261	29,443	27,530
Furniture and Equipment	17,634	0	422
Management Fees	264,341	281,675	212,733
Custodial Fees	17,712	15,883	15,584
Consultant Fees	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>412,987</u>	<u>403,889</u>	<u>326,669</u>
TOTAL DISBURSEMENTS	<u>\$4,386,797</u>	<u>\$4,069,125</u>	<u>\$3,953,634</u>

Concord Retirement System

INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2001	2000	1999
Investment Income Received From:			
Cash	67826.32	108299.21	\$102,316
Short Term Investments	0	0	0
Fixed Income	2,205,513	1,312,223	1,412,097
Equities	0	0	0
Pooled or Mutual Funds	354,296	670,919	5,789,368
Commission Recapture	0	0	0
TOTAL INVESTMENT INCOME	<u>2,627,636</u>	<u>2,091,441</u>	<u>7,303,781</u>
Plus:			
Increase in Amortization of Fixed Income Securities	0	0	21,024
Realized Gains	241,353	2,318,988	33,649
Unrealized Gains	6,170,722	6,642,180	382,502
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>410,773</u>	<u>397,576</u>	<u>264,340</u>
Sub Total	<u>6,822,848</u>	<u>9,358,744</u>	<u>701,513</u>
Less:			
Decrease in Amortization of Fixed Income Securities	0	0	(57,902)
Paid Accrued Interest on Fixed Income Securities	6,298	(24,010)	(35,250)
Realized Loss	(209,391)	0	0
Unrealized Loss	(9,221,340)	(10,460,456)	(574,254)
Custodial Fees Paid	0	0	0
Consultant Fees Paid	0	0	0
Management Fees Paid	0	0	0
Board Member Stipend	0	0	0
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(397,576)</u>	<u>(264,340)</u>	<u>(267,835)</u>
Sub Total	<u>(9,822,009)</u>	<u>(10,748,806)</u>	<u>(935,241)</u>
NET INVESTMENT INCOME	<u>(371,525)</u>	<u>701,380</u>	<u>7,070,053</u>
Income Required:			
Annuity Savings Fund	220,084	226,776	216,080
Annuity Reserve Fund	106,844	101,719	100,392
Military Service Fund	31	33	34
Expense Fund	<u>412,987</u>	<u>403,889</u>	<u>326,669</u>
TOTAL INCOME REQUIRED	<u>739,945</u>	<u>732,417</u>	<u>643,175</u>
Net Investment Income	<u>(371,525)</u>	<u>701,380</u>	<u>7,070,053</u>
Less: Total Income Required	<u>739,945</u>	<u>732,417</u>	<u>643,175</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>(\$1,111,470)</u>	<u>(\$31,038)</u>	<u>\$6,426,877</u>

Concord Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

	BOOK VALUE*	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash		\$1,885,184	3.35%	100
Short Term		0	0.00%	100
Fixed Income		23,769,167	42.19%	40 - 80
Equities		0	0.00%	55
Pooled Short Term Funds		0	0.00%	
Pooled Domestic Equity Funds		13,613,036	24.16%	
Pooled International Equity Funds		5,374,673	9.54%	10
Pooled Global Equity Funds		0	0.00%	
Pooled Domestic Fixed Income Funds		0	0.00%	
Pooled International Fixed Income Funds		0	0.00%	
Pooled Global Fixed Income Funds		0	0.00%	
Pooled Alternative Investment Funds		0	0.00%	
Pooled Real Estate Funds		0	0.00%	
Pooled Domestic Balanced Funds		2,235,699	3.97%	
Pooled International Balanced Funds		0	0.00%	
PRIT Cash Fund		0	0.00%	
PRIT Core Fund		9,461,022	16.79%	100
GRAND TOTALS	\$0	<u>\$56,338,780</u>	<u>100.00%</u>	

* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

For the year ending December 31, **2001**, the rate of return for the investments of the **Concord** Retirement System was -0.41%. For the five year period ending December 31, **2001**, the rate of return for the investments of the **Concord** Retirement System averaged 8.40%. For the 17-year period ending December 31, **2001**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Concord** Retirement System was 10.25%.

Concord Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

The **Concord** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

October 24, 1996

20.03(1) Equity investments shall not exceed 55% of the portfolio valued at market, including international equities, which shall not exceed 10% of the portfolio valued at market.

January 25, 1996

20.03(1) Equity investments shall not exceed 50% of the portfolio valued at market, including international equities which shall not exceed 5% of the portfolio valued at market.

20.04(1) United States based corporations and equities of foreign corporations.

20.07(5) Equity investment shall be made only in securities listed on a United States stock exchange, traded over the counter in the United States, or listed and traded on a foreign exchange.

Concord Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Concord** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65 (for certain hazardous duty and public safety positions, normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

Concord Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent upon several factors including: whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veteran's status, and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

Concord Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **Concord** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

August 8, 1995

Membership in the Concord Contributory Retirement System is mandatory for part time and full time employees working 25 hours per week or more who are permanent employees.

One year of creditable service will be allowed for permanent part time employees who work 25 hours per week for 180 school days or 52 weeks a year as long as part time employment remains essentially the same.

Concord Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

August 8, 1995 (Continued)

Upon a reduction in hours to less than 25 hours per week employees will receive credit for hours worked prorated on the basis of full time employment.

Part time service credit is prorated on the basis of full time employment (37.50, 40.0 or 42.0 hours).

Cafeteria workers working 6.5 hours per day/180 school days will be allowed one year of creditable service.

June 26, 2000

\$30,000 Cap The Town of Concord's method for calculating the 2% supplemental assessment for employees earning more than \$30,000 annualized is derived by dividing the annual salary by 52.2 weeks (26.1 biweekly) periods. The Town of Concord uses the amount over \$574.71 weekly (biweekly \$1,149.42) to compute the 2% assessment. The employee receives the weekly pay, 1/52.2 of annual salary throughout the year. There is no adjustment at the end of the year. According to the Compensation and Classification Bylaws of the Town, the annual rate set by the Town Meeting for employees is controlling. Accrued payroll is recorded as a budget expense on a per day basis for the town's fiscal period July 1-June 30.

The Concord Retirement Board hereby accepts the Town of Concord's method for the 2% assessment calculation.

Concord Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Accountant who shall be a member ex officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex officio Member: Cheryl Smith

Appointed Member: Anthony Logalbo Term Expires: 05/31/03

Elected Member: Peter Fulton Term Expires: 10/31/04

Elected Member: Brian Whitney Term Expires: 06/04/05

Appointed Member: George Ames Term Expires: 01/01/03

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	
Ex officio Member:)	\$5,000.00
Elected Member:)	Western Surety Co.
Appointed Member:)	
Staff Employee:)	Not Bonded

Concord Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by **Stone Consulting** as of **January 1, 2000**.

The actuarial liability for active members was	\$30,906,146
The actuarial liability for inactive members was	784,272
The actuarial liability for retired members was	<u>28,029,349</u>
The total actuarial liability was	59,719,767
System assets as of that date were	<u>56,250,722</u>
The unfunded actuarial liability was	<u>\$3,469,045</u>
 The ratio of system's assets to total actuarial liability was	 94.2%
As of that date the total covered employee payroll was	\$14,807,479

The normal cost for employees on that date was 8.10% of payroll
The normal cost for the employer was 5.90% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 8.00% per annum
Rate of Salary Increase: 5.50% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2000

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2000	\$56,250,722	\$59,719,767	\$3,469,045	94.2%	\$14,807,479	23.43%
1/1/1998	43,220,883	51,371,900	8,151,017	84.1%	13,676,146	59.60%
1/1/1996	33,677,683	42,701,427	9,023,744	78.9%	11,929,927	75.64%
1/1/1992	27,603,137	38,206,949	10,603,812	72.2%	11,313,977	93.72%

Concord Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Superannuation	9	11	12	13	13	7	15	7	9	10
Ordinary Disability	0	1	0	1	0	1	0	0	0	0
Accidental Disability	0	0	0	0	0	2	0	1	0	1
Total Retirements	9	12	12	14	13	10	15	8	9	11
Total Retirees, Beneficiaries and Survivors	234	236	241	243	249	207	268	263	263	254
Total Active Members	461	467	430	441	442	455	497	516	505	444
Pension Payments										
Superannuation	\$1,315,117	\$1,423,201	\$1,491,301	\$1,609,323	\$1,701,910	\$1,789,073	\$1,929,433	\$2,034,645	\$2,189,545	\$2,344,048
Survivor/Beneficiary Payments	57,719	59,653	68,408	119,429	84,975	81,721	115,266	123,825	129,593	72,361
Ordinary Disability	47,573	60,238	61,018	61,660	61,921	56,038	53,635	54,546	57,173	58,329
Accidental Disability	326,682	318,297	320,513	322,746	323,271	365,785	379,885	401,826	410,200	400,111
Other	<u>97,650</u>	<u>102,152</u>	<u>126,105</u>	<u>132,446</u>	<u>85,996</u>	<u>82,283</u>	<u>75,858</u>	<u>162,727</u>	<u>188,482</u>	<u>273,580</u>
Total Payments for Year	<u>\$1,844,741</u>	<u>\$1,963,541</u>	<u>\$2,067,345</u>	<u>\$2,245,604</u>	<u>\$2,258,073</u>	<u>\$2,374,900</u>	<u>\$2,554,077</u>	<u>\$2,777,569</u>	<u>\$2,974,992</u>	<u>\$3,148,428</u>